

IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

IN RE:	§	CHAPTER 11
	§	
DUNE ENERGY, INC.,	§	CASE NO. 15-10336
DUNE OPERATING COMPANY,	§	CASE NO. 15-10337
DUNE PROPERTIES, INC.,	§	CASE NO. 15-10338
	§	
Debtors.	§	JOINTLY ADMINISTERED UNDER
	§	CASE NO. 15-10336

**CHEVRON U.S.A., INC.’S LIMITED OBJECTION TO AND RESERVATION OF
RIGHTS REGARDING ASSUMPTION AND ASSIGNMENT OF CERTAIN
OIL AND GAS LEASES**

[Relates to Docket Nos. 159 and 189]

Chevron U.S.A., Inc. (“Chevron”) objects to and reserves its rights regarding the Debtors’ proposed assumption and assignment of certain oil and gas leases as follows:

BACKGROUND

1. Pursuant to the *Order (A) Approving Sale and Bidding Procedures in Connection with Sale of Assets of the Debtors, (B) Approving Form and Manner of Notice, (C) Scheduling Auction and Sale Hearing, (D) Authorizing Procedures Governing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (E) Granting Related Relief* (the “Bid Procedures Order”) [Docket No. 159] as entered by the Court on April 8, 2015, a *Notice of (I) Debtors’ Request for Authority to Assume and Assign Certain Executory Contracts and Unexpired Leases, and (II) Debtors’ Proposed Cure Amounts* was served upon interested parties on April 13, 2015 (the “Notice of Cure Amounts”) which attached the Debtors’ Proposed Cure Amount Schedule as of April 8, 2015 (the “Cure Amount Schedule”) [Docket No. 189].

2. The Debtors are the current operator and owner of wells in the following six fields: (i) Green Island Bay; (ii) Leeville; (iii) Bateman Lake; (iv) Chocolate Bayou; (v) N. Broussard; and (vi) Live Oak (the “Six Fields”). Chevron, through itself or an affiliate, owned

an interest in such wells and fields prior to acquisition by the Debtors. According to the Cure Amount Schedule, the Debtors seek to sell to a successful bidder certain wells and leases in the Six Fields, including, but not limited to, the wells and leases on Exhibit A attached hereto (collectively, the “Wells and Leases”). These Wells and Leases may have associated plugging and abandonment liability and other environmental liabilities that require posting of bonds or satisfaction by the Debtors.

OBJECTION

3. As an initial matter, Chevron objects to the characterization of the Wells and Leases as unexpired leases or executory contracts permitted to be assumed and assigned under the Bankruptcy Code, and reserves all rights in relation to same.

4. Chevron further objects to the extent that the Debtors ultimately seek to assign their rights to these Wells and Leases without requiring the purchaser to assume the liability associated with abandonment of any Wells and Leases in the Six Fields, including but not limited to, plugging and abandonment liability and environmental liability.¹

5. Chevron further objects to the assumption and assignment of the Wells and Leases because the proposed cure amount with respect to each of the Wells and Leases is listed as \$0.00. To the extent the Wells and Leases are subject to Section 365 of the Bankruptcy Code and the Debtors seek to assume and assign these Wells and Leases, any cure amount must be sufficient to cover the liabilities associated with such Wells and Leases, including but not limited to, plugging and abandonment liability and environmental liability.²

¹ Although the Sale Motion contemplates that the Assets will be sold with plugging and abandonment liability, no stalking horse bidder exists at this time.

² At this time, the amount needed to cover the liability for plugging and abandonment liability and environmental liability is not readily available, and the characterization as prepetition or postpetition and its priority has yet to be determined. Chevron reserves the right to assert the proper cure amount if and when the issue of assumption and assignment is before the Court.

RESERVATION OF RIGHTS

6. Chevron reserves its right to (a) object to the purchase of the oil and gas leases by any successful bidder; and (b) object to any other relief requested at the sale hearing and auction.

RELIEF REQUESTED

Chevron requests that the Court enter an order: (i) consistent with this Objection; and (ii) granting Chevron such other and further relief as is just and proper.

Dated: May 15, 2015

Respectfully submitted,

By: /s/ Robin Russell

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the forgoing claim was served this 15th day of May, 2015 via all parties registered to receive notices via the Court's ECF System and on the parties listed below via the manner indicated.

/s/ Robin Russell
Robin Russell

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